

BUSINESS WEEK MARKET FORECAST SURVEY FOR 1999

	DOW JONES INDUSTRIAL MIDYEAR	AVERAGE YEAREND	STANDARD & POOR'S 500 YEAREND	NASDAQ COMPOSITE YEAREND	ASSET ALLOCATION			FAVORITE STOCK SECTOR	FAVORITE STOCK
					STOCKS	BONDS	CASH		
LASZLO BIRINYI JR. Deutsche Bank Securities	10050	12010	1500	2800	90	0	10	Technology	America Online
ELAINE GARZARELLI Garzarelli Capital	—	12000	1550	2670	60	40	0	Financials	Merrill Lynch
TOM GALVIN Donaldson Lufkin & Jenrette	10100	11000	1300	—	75	20	5	Technology	Merrill Lynch
TOM McMANUS The Strategy Connection	9800	10900	1375	—	70	30	0	Cons. staples	Lowe's
JOSEPH BATTIPAGLIA Gruntal & Co.	10000	10500	1300	2300	100	0	0	Health care	Merck
PETER J. CANELO Morgan Stanley Dean Witter	9250	10500	1325	2385	70	20	10	Technology	Intel
JOHN K. LYNCH Interstate Johnson Lane	9750	10500	1350	2400	60	25	15	Technology	MCI WorldCom
PHIL ORLANDO Value Line Asset Management	10100	10500	1400	2600	80	15	5	Technology	Tellabs
ALLAN S. RONESS JW Genesis Securities	9500	10500	1650	2700	100	0	0	Technology	Medallion Fin. Corp.
CLARE W. ZEMPEL Robert W. Baird & Co.	9510	10365	1320	2365	65	25	10	Health care	ADC Telecom
EUGENE PERONI Janney Montgomery Scott	9900	10200	—	—	100	0	0	Technology	McGraw-Hill
BARRY HYMAN Ehrenkrantz King Nussbaum	9850	10150	1280	2170	65	25	10	Technology	AT&T
HUGH JOHNSON First Albany	9700	10100	1300	2175	58	42	0	Technology	Sun Microsystems
ROBERT S. ROBBINS Robinson-Humphrey	9790	10062	1323	2294	70	25	5	Technology	America Online
EDWARD G. RILEY JR BankBoston	10000	10025	1293	2180	55	35	10	Health care	Cambridge Tech Partners
RICK JANDRAIN Banc One Investment Adv.	9600	10000	1600	2200	60	40	0	Health care	—
JAMES V. PIZZO CIBC Oppenheimer	9500	10000	1275	2100	70	20	10	Health care	United Healthcare
JACK SHAUGHNESSY Advest	9500	10000	1270	2180	60	30	10	Technology	Fleet Financial Group
ROBERT H. STOVALL Stovall/Twenty-First Adv.	9475	9999	1315	2775	70	20	10	Health care	Allstate
ABBY JOSEPH COHEN Goldman Sachs & Co.	—	9850	1275	—	—	—	—	—	—
JOHN J. REGAN Josephthal & Co.	7867	9832	1256	2186	95	0	5	Technology	Cisco Systems
JEFFREY M. APPLGATE Lehman Brothers	9800	1250	—	—	80	20	0	Technology	EMC
RICHARD CRIPPS Legg Mason Wood Walker	9500	9800	1250	2100	70	30	0	Financials	Allstate
CHARLES J. PRADILLA SG Cowan Securities	9345	9800	1240	1330	60	35	5	Health care	Eli Lilly
GREG A. SMITH Prudential Securities	10000	9800	1225	—	75	25	0	Technology	BDK
EDWARD KERSCHNER PaineWebber	—	9750	1250	—	63	23	14	—	—
ELIZABETH J. MACKAY Bear Stearns & Co.	8000	9650	1270	2000	60	35	5	Services	Cerner Corp.
CHARLES G. CRANE Key Asset Management	8900	9600	1200	2200	65	30	5	Financials	Key Corp.
ALFRED GOLDMAN A.G. Edwards & Sons	10000	9600	1300	2000	100	0	0	Energy	Transocean Offshore
J. THOMAS MADDEN Federated Investors	10000	9500	1250	2200	60	40	0	Utilities	Conseco
RICHARD G. UNRUH JR. Delaware Investmts.	8000	9500	1150	—	—	—	—	Indus. cyclicals	—
JERRY DOMBCIK McDonald Investments	8300	9400	1230	1900	75	20	5	Technology	Elder-Beerman
DOUGLAS CLIGGOTT J.P. Morgan	9000	9300	1200	—	60	25	15	Cons. durables	Anadarko Petroleum
ROGER DeBARD Hotchkis & Wiley	8677	9140	1081	1703	48	45	7	Utilities	New Holland
PETER ANDERSON Amer. Express Fin. Adv.	8700	9100	1150	1900	70	10	20	Utilities	Northwest Airlines
RAO CHALASANI EVEREN Securities	11600	9100	—	—	—	—	—	Health care	Burlington Resources
EUGENIA M. SIMPSON Kirkpatrick Pettis	9300	9100	1175	2200	70	20	10	Financials	Level 3 Commun.
MARSHALL ACUFF Salomon Smith Barney	8500	9000	1125	1900	47	48	5	Health care	—
ANTHONY F. DWYER Ladenburg Thalmann	9800	9000	1125	2500	70	30	0	Technology	Speedway Motorsports
DAVID A. HENWOOD Raymond James & Assoc.	9900	8900	1140	1950	65	25	10	Technology	ABR Information Svcs.
JOHN R. WILLIAMS Bankers Trust	8800	8900	1165	2000	50	35	15	—	—
MARC DION Ziegler Asset Management	7800	8400	1050	1700	50	40	10	Health care	Becton Dickinson
G. ELLIFFE, K. MILLS & K. PERRY Jurika & Voyles	8400	8200	1050	1750	60	35	5	Technology	AES Corp.
EDWARD NICOSKI Piper Jaffray	7800	8200	1050	1850	20	50	30	Health care	—
JOSEPH H. BARTHEL Fahnestock	9700	8000	1229	1900	80	20	0	Technology	Placer Dome
ROB BROWN Ferris Baker Watts	8249	7969	1009	1609	50	30	10*	Energy	Amerada Hess
DON HAYS Wheat First Union	9600	7500	950	1500	70	30	0	Utilities	Amgen
GEORGE JACOBSEN Trevor Stewart Burton & Jacobsen	7750	7000	850	1550	50	40	10	Health care	HCR Manor Care
ROBERT F. DICKEY Dain Rauscher Wessels	8200	6800	882	1500	50	30	20	Energy	Schlumberger Ltd.
BILL MEEHAN Cantor Fitzgerald	—	—	950	1500	45	35	20	Energy	FDX Corp.
AVERAGES	9268	9567	1230	2081	67%	26%	7%		

*plus 10% in gold

ters: "We may have the second soft landing in five years," marvels Hugh Johnson of First Albany.

Market gurus also have faith in another powerful player—the individual investor, whose retirement needs are driving money into stocks and turning bad news into buying opportunities. Rao Chalasani of EVEREN Securities Inc. expects the flow of money into U.S. stocks to reach new highs, as falling interest rates and import prices give American consumers the equivalent of a tax cut and relaxed Japanese regulations allow investors to buy foreign mutual funds. The strong appetite for stocks is behind Deutsche Bank strategist Laszlo Birinyi Jr.'s forecast of a 36% rise in the Dow next year, making him the survey's biggest bull for the second straight year.

NET HIGHFLIERS. The investment guru perhaps most associated with the bull market, Goldman, Sachs & Co.'s Abby Joseph Cohen, expects the Dow to rise 11.6% to 9850 as foreign economies stabilize and corporate profits rise 7%. "The key to our bullish view on stocks has long been our bullish view on the U.S. economy," says Cohen, who sees

no end to "the best economic and corporate performance in a generation."

Riley of BankBoston expects the Dow to finish 1999 at 10,025. Nonetheless, he is concerned about valuations. "There is a bubble of sorts—no question about it," he says. The evidence: the rich price-earnings ratios of top performers, including Dell, Microsoft, and Cisco Systems. More worrisome, though, are the prices paid for profitless Internet stocks—a sector many think will crash in 1999.

Such concerns didn't stop analysts from anointing technology their favorite sector for 1999, however. As with second-choice health care, the rationale is that steady demand will boost earnings even as overall profit growth slows. Last year's top pick, financials, still has a following, thanks to continuing consolidation and a benign interest rate outlook. Contrarians are betting on battered energy stocks. "I don't see much downside risk," says Rob Brown of Ferris, Baker Watts Inc. He says Amerada Hess trades at a 34% discount to the \$75 per share value of its reserves.

How well did strategists do last year? As of Dec. 15, the cutoff date

for picking the winner, Allan Roness of JW Genesis was the big star, pegging the S&P within 3 percentage points and the Dow and NASDAQ almost on the button. Robert Dickey of Dain Bosworth Inc. trailed the pack, falling 31% short of the Dow's finish. Dickey won the BW forecasting ring in 1996. For next year, Roness remains bullish and Dickey bearish (see list, page 99).

As for picking individual stocks, Birinyi and Chalasani came out on top with America Online, up 309% through mid-December. Other winners include Lehman Brothers' Jeffrey M. Applegate, who chose Microsoft, up 104%; and Riley, who picked Ascend Communications, up 133%. The worst: Brown, whose Patina Oil & Gas fell 68%; and CIBC Oppenheimer's former strategist E. Michael Metz, whose choice, Polaroid, fell 59%.

If the pros get it right, their triumph will probably reflect astute calls on interest rates and profits. But in all likelihood, their cautious outlook will prevail only if the individual investor agrees that the time has come to restrain the exuberant bull.

By Anne Tergesen in New York

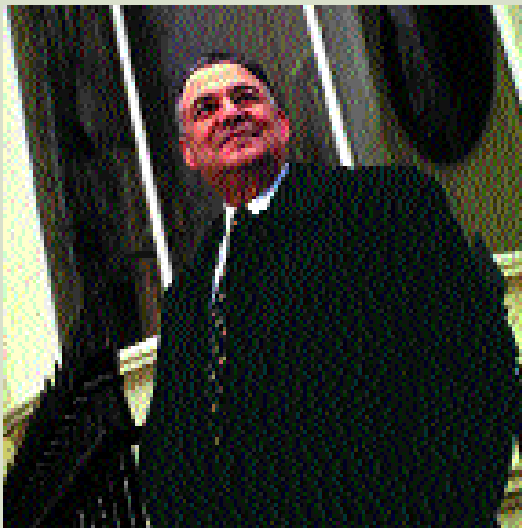
TOP GURU

The Clearest Crystal Ball of All

Several market strategists came close to pegging the Dow Jones industrial average's 1998 rise. A few were in the ballpark on the Standard & Poor's 500-stock index. But only one guru, Allan Roness of JW Genesis Securities, a brokerage in Boca Raton, Fla., correctly divined where all three major stock indexes would finish.

When BUSINESS WEEK stopped the clock on its market forecast survey for 1998 on Dec. 15, Roness had overshot the Dow by only 0.9% and the NASDAQ by a tiny 0.13%. He missed the S&P by 3 percentage points. Roness' closest rival, Eugenia Simpson of Kirkpatrick Pettis, was even more prescient on the Dow but trailed badly on the S&P.

RAGING BULL. The key to his crystal ball? Technology. "The technology industry keeps the U.S. on the leading edge," he says. That bullishness helped Roness come within a hair of the NASDAQ's 27% rise—a gain that caught all but Simpson by surprise. As for the Dow,



"LEADING EDGE": Roness favors high tech

Roness reasoned that progress would be restrained by slowing improvements in corporate profits and high valuations.

For 1999, Roness is even more ebullient, forecasting 30%-plus increases for all but the Dow, which he expects to rise 19%. The NASDAQ will still be powered by fast-growing earnings—a precious commodity as overall profit gains slow, he says. But the leadership mantle will pass to the S&P 500, whose less lofty values will attract bargain hunters. Cheapness will also help beleaguered small-company stocks, he says. Roness expects the Dow to continue to underperform, ending 1999 at 10,500. "The Dow Jones is way ahead of the fundamentals," he acknowl-

edges. Still, with interest rates low and foreign economies in disarray, money will also be flowing into Dow stocks.

What's Roness' favorite sector for 1999? Technology—of course.

By Anne Tergesen in New York